VERITAS PHARMA INC.

Condensed Consolidated Interim Financial Statements

For the three month period ended July 31, 2017

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Veritas Pharma Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the three months ended July 31, 2017 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian Dollars.

VERITAS PHARMA INC.
Condensed consolidated interim statements of financial position
(Unaudited - Expressed in Canadian dollars)

	July 31, 2017 $	April 30, 2017 $
Assets		
Current assets		
Cash and cash equivalents	873,992	1,178,617
Amounts receivable	60,857	65,221
Prepaid expenses and deposits	420,030	488,522
Total current assets	1,354,879	1,732,360
Non-current assets		
Deferred charges (Note 4)	443,212	425,020
Property and equipment (Note 5)	50,994	54,016
Intangible asset (Note 6)	1,580,000	1,580,000
Total non-current assets	2,074,206	2,059,036
Total assets	3,429,085	3,791,396
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	168,510	221,143
Total liabilities	168,510	221,143
Shareholders’ equity		
Share capital	6,623,156	5,994,670
Share-based payment reserve	1,265,263	1,083,579
Warrant reserve	759,104	759,104
Share subscriptions received (Note 8)	–	100,000
Deficit	(5,816,719)	(4,839,489)
Total Veritas Pharma Inc. shareholders’ equity	2,830,804	3,097,864
Non-controlling interest	429,771	472,389
Total shareholders’ equity	3,260,574	3,570,253
Total liabilities and shareholders’ equity	3,429,085	3,791,396

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on September 29, 2017:

/s/ Yari Nieken	*/s/ Luigi Franciosi*
Yari Nieken, Director	Luigi Franciosi, Director

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

VERITAS PHARMA INC.
Consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Three months ended July 31, 2017 $	Three months ended July 31, 2016 $
Expenses		
Consulting (Note 7)	211,345	154,000
Depreciation	4,099	–
Investor relations	206,482	51,843
Office and miscellaneous	35,423	2,428
Professional fees (Note 7)	28,155	26,577
Rent	5,589	7,905
Research and development	162,034	–
Share-based compensation (Note 10)	337,170	–
Transfer agent and filing fees	162	5,358
Travel and promotion	30,157	9,816
Total expenses	1,020,616	257,927
Loss before other income (expense)	(1,020,616)	(257,927)
Other income (expense)		
Interest expense	768	(493)
Total other income (expense)	768	(493)
Net loss for the period	(1,019,848)	(258,420)
Less: net loss attributable to non-controlling interest	42,618	–
Net loss and comprehensive loss attributable to Veritas Pharma Inc.	(977,230)	(258,420)
Net loss per share attributable to Veritas Pharma Inc., basic and diluted	(0.03)	(0.01)
Weighted average number of shares outstanding	38,712,575	23,738,291

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

VERITAS PHARMA INC.
Condensed consolidated interim statements of changes in equity
(Unaudited - Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Warrant reserve	Share subscriptions received	Non-controlling interest	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$	$	$	$
Balance, April 30, 2016	23,624,250	2,074,569	349,954	–	–	–	(1,908,854)	515,669
Issued pursuant to private placements	11,116,840	2,611,100	–	–	–	–	–	2,611,100
Finders' fees	–	(114,784)	–	64,084	–	–	–	(50,700)
Shares and warrants issued pursuant to purchase option for Sechelt Organic Marijuana Corp.	750,000	180,000	–	245,020	–	–	–	425,020
Shares issued for exercise of stock options	2,023,500	1,153,785	(464,265)	–	–	–	–	689,520
Shares issued for exercise of warrants	300,000	90,000	–	–	–	–	–	90,000
Warrants issued pursuant to private placement	–	–	–	500,000	–	–	–	500,000
Finders' fees	–	–	–	(50,000)	–	–	–	(50,000)
Share subscriptions received	–	–	–	–	100,000	–	–	100,000
Fair value of stock options vested	–	–	1,197,890	–	–	–	–	1,197,890
Non-controlling interest arising on the acquisition	–	–	–	–	–	490,398	–	490,398
Net loss for the year	–	–	–	–	–	(18,009)	(2,930,635)	(2,948,644)
Balance, April 30, 2017	37,814,590	5,994,670	1,083,579	759,104	100,000	472,389	(4,839,489)	3,570,253
Shares issued for exercise of stock options	800,000	453,486	(155,486)	–	(100,000)	–	–	198,000
Shares issued for exercise of warrants	583,333	175,000	–	–	–	–	–	175,000
Fair value of stock options vested	–	–	337,170	–	–	–	–	337,170
Net loss for the period	–	–	–	–	–	(42,618)	(977,230)	(1,019,848)
Balance, July 31, 2017	39,197,923	6,623,156	1,265,263	759,104	–	429,771	(5,816,719)	3,260,575

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

VERITAS PHARMA INC.

Condensed consolidated interim statements of cash flows
(Unaudited - Expressed in Canadian dollars)

	Three months ended July 31, 2017 $	Three months ended July 31, 2016 $
Operating activities		
Net loss from continuing operations	(1,019,848)	(258,420)
Items not involving cash:		
Depreciation	4,099	–
Share-based compensation	337,170	–
Changes in non-cash operating working capital:		
Amounts receivable	4,364	(7,825)
Prepaid expenses and deposits	50,300	(12,410)
Accounts payable and accrued liabilities	(52,633)	24,797
Net cash used in operating activities	(676,548)	(253,858)
Investing activities		
Advances to Cannevert Therapeutics Ltd.	–	(100,000)
Purchase of property and equipment	(1,077)	–
Net cash used in investing activities	(1,077)	(100,000)
Financing activities		
Proceeds from loans payable	–	100,000
Proceeds from issuance of shares	198,000	220,000
Proceeds from issuance of warrants	175,000	–
Payment of finders' fees	–	–
Net cash provided by financing activities	373,000	320,000
Change in cash	(304,625)	(33,858)
Cash and cash equivalents, beginning of year	1,178,617	34,307
Cash and cash equivalents, end of year	873,992	449
Cash and cash equivalents consists of:		
Cash	423,992	449
Cashable Guaranteed Investment Certificates	450,000	–
Total cash and cash equivalents	873,992	449

Supplement cash flow information (Note 13)

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

1. Nature of Operations and Continuance of Business

Veritas Pharma Inc. (the "Company") was incorporated on May 14, 2014 under the Business Corporations Act of British Columbia as Seashore Organic Marijuana Corp. for the purpose of completing the Plan of Arrangement between Noor Energy Corporation and Sechelt Organic Marijuana Corp. which was completed on August 7, 2014. On September 22, 2014, the Company changed its name from Seashore Organic Marijuana Corp. to Seashore Organic Medicine Inc. and had intentions to become a producer and distributor of medical marijuana in Canada. On December 29, 2015, the Company's name was changed to Veritas Pharma Inc., and its trading symbol was changed to "VRT". Its current focus is to develop the most effective proprietary cannabis strains for specific disease conditions. The Company's head office is located at 101 – 2386 East Mall, Vancouver, BC, V6T 1Z3.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2017, the Company has not generated any revenues from operations and has an accumulated deficit of $5,816,720. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability to raise equity or debt financing, and the attainment of profitable operations from the Company's future business. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance

The accompanying condensed interim condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

(b) Principles of Consolidation and Basis of Presentation

These condensed interim condensed consolidated interim financial statements include the accounts of the Company and its 80% owned subsidiary, Cannevert Therapeutics Ltd. ("CTL") from the effective date of acquisition on April 23, 2017. All significant inter-company balances and transactions have been eliminated on consolidation.

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of operations.

The Company elects on a transaction-by- transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

These condensed interim condensed consolidated interim financial statements have been prepared on a historical cost basis. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include collectability of amounts receivable, impairment of deferred charges, useful lives and recoverability of property and equipment, impairment of intangible asset, fair value of share-based compensation, and unrecognized deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Significant accounting estimates and judgments

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended April 30, 2017.

(d) Accounting Standards Issued But Not Yet Effective

The following new standards, and amendments to standards and interpretations, are effective for the year ended April 30, 2018, and have not been applied in preparing these condensed consolidated interim financial statements:

New standard IFRS 9, “Financial Instruments”

Amendments to IFRS 2, “Share-based Payment”

The Company has not early adopted these new and revised standards and is currently assessing the impact that these standards will have on the Company's condensed consolidated interim financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

3. Acquisition of Cannevert Therapeutics Ltd.

On December 7, 2015, the Company entered into a share purchase agreement with Cannevert Therapeutics Ltd. (“CTL”) (the "Agreement"). Under the Agreement, the Company will invest a total of $1,500,000 into CTL in consideration for 6,001 common shares of CTL (the "CTL Shares"), in six separate tranches over the period of 15 months from the date of the Agreement (the "Private Placement"), after which the Company will hold 80% of the total issued and outstanding CTL Shares. The proceeds will be used for joint research with the Company to develop and assess specific cannabis cultivars that are selective in action on specific medical disorders.

(Unaudited - Expressed in Canadian dollars)

3. Acquisition of Cannevert Therapeutics Ltd. (continued)

In accordance with IFRS 3, *Business Combinations,* the agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the acquisition date. The following table summarizes the consideration paid, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	$
Cash	1,500,000
Total consideration paid	1,500,000
Cash	750,436
Amounts receivable	6,520
Prepaid expenses	79,624
Property and equipment	54,235
Intangible asset	1,580,000
Accounts payable and accrued liabilities	(18,826)
Total net identifiable assets	2,451,989
80% of net identifiable assets acquired	1,961,591
Bargain purchase gain	461,591

4. Deferred Charges

The Company had planned to become an emerging producer and distributor of medical marijuana ("Product"), and had applied to Health Canada (“HC”) for a medical marijuana production and distribution license under the new Marijuana for Medical Purposes Regulations ("MMPR") (a "Production License" or "License"), which became law as of April 1, 2014 and were seeking to start the construction of a growing facility under a "Ready to Build" approval. Cultivation and the distribution of organic marijuana for medical consumption under an MMPR license was expected to constitute the principal business activity of the Company for years to come.

On November 18, 2016, the Company entered into a Letter of Intent (“LOI”) where it has the exclusive option to acquire 100% of the issued and outstanding shares of Sechelt. In consideration for entering into the LOI, the Company issued 750,000 units to the shareholders of Sechelt. Each unit consisted of one common share and one share purchase warrant exercisable at $0.75 expiring two years from the date of issuance. Refer to Note 10(d).

Upon receiving exchange approval on December 16, 2016, the Company issued the 750,000 units with a fair value of $425,020. The fair value of the common shares was based on the closing stock price on the date they were issued. The fair value of the share purchase warrants was valued at $245,020 using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value assuming no dividend yield or forfeitures are as follows: risk-free interest rate of 0.67%, expected volatility of 187%, and an expected life of 2 years.

Once Health Canada grants Sechelt the permit to build a cannabis-growing facility and issues to the requisite MMPR license Sechelt, the Company will proceed to close on the option commitments to acquire Sechelt within 60 days of the approval, first by making a payment of $400,000 for the land and facilities, and secondly by making a common stock payment equivalent to $400,000 for the MMPR license.

(Unaudited - Expressed in Canadian dollars)

5. Property and Equipment

	Computer hardware $	Computer software $	Lab equipment $	Total $
Cost:				
Balance, April 30, 2017	3,471	1,229	50,739	55,439
Additions	–	928	1,443	2,371
Deduction for credit note received	–	–	(1,294)	(1,294)
Balance, July 31 , 2017	3,471	2,157	50,888	56,516
Accumulated depreciation:				
Balance, April 30, 2017	163	173	1,087	1,423
Additions	489	317	3,293	4.099
Balance, July 31, 2017	652	490	4,380	5,522
Carrying amounts:				
As at April 30, 2017	3,308	1,056	49,652	54,016
As at July 31, 2017	2,819	1,667	46,508	50,994

6. Intangible Asset

Intangible asset consists of intellectual property relating to the development and assessment of specific cannabis cultivars that are selective in action on specific medical disorders with a fair value of $1,580,000 acquired from CTL as part of the acquisition described in Note 3. The fair value of the intangible asset was determined using an independent valuator. As at July 31, 2017, the asset is still being developed and has not been placed in use. As a result, no amortization of the intangible asset has been recorded.

7. Related Party Transactions

(a) As at July 31, 2017, the Company was owed $nil (2016 – $42,408) from a company controlled by the President of the Company, which was recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the three months ended July 31, 2017, the Company incurred consulting fees of $42,902 (2016 – $42,000) to a company controlled by the President of the Company.

(b) As at July 31, 2017, the Company owed $19,513 (2016 - $1,630) to a company controlled by the Chief Financial Officer of the Company, which was recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the three months ended July 31, 2017, the Company incurred consulting fees of $15,000 (2016 – $15,000) and professional fees of $8,000 (2016 - $12,000) to a company controlled by the Chief Financial Officer of the Company.

8. Share Capital

Authorized: Unlimited number of common shares without par value

Share transactions for the three months ended July 31, 2017:

(a) During the three months ended July 31, 2017, the Company issued 800,000 common shares for proceeds of $298,000 pursuant to the exercise of stock options. Refer to Note 8 (i). The fair value of the stock options exercised of $155,486 was reallocated from share-based payment reserve to share capital.

(b) During the three months ended July 31, 2017, the Company issued 583,333 common shares for proceeds of $175,000 pursuant to the exercise of share purchase warrants.

Share transactions for the year ended April 30, 2017:

(c) During the year ended April 30, 2017, the Company issued 2,023,500 common shares for proceeds of $689,520 pursuant to the exercise of stock options. The fair value of the stock options exercised of $464,265 was reallocated from share-based payment reserve to share capital.

(d) During the year ended April 30, 2017, the Company issued 300,000 common shares for proceeds of $47,000 and the settlement of $43,000 of accounts payable pursuant to the exercise of share purchase warrants.

(e) On June 1, 2016, the Company issued 693,750 units at $0.40 per unit for proceeds of $277,500, of which 20,000 units for proceeds of $8,000 were issued to the spouse of the Chief Financial Officer of the Company. Each unit consisted of one common share and one-half share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at $0.75 per share until November 30, 2017, subject to the Company's discretion to reduce such exercise period in the event that the trading price of the common shares of the Company is at $0.90 per share for a period of ten consecutive trading days. In lieu of cash proceeds, $57,500 consisted of the settlement of a loan payable. Refer to Note 9(b).

(f) On December 16, 2016, the Company issued 750,000 units to the Creditors pursuant to the LOI for the acquisition of Sechelt. Each unit consisted of one common share and one share purchase warrant exercisable at $0.75 expiring on December 16, 2018. Refer to Note 5.

(g) On December 29, 2016, the Company issued 506,500 units at $0.30 per unit for proceeds of $151,950. Each unit consisted of one common share and one-half share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at $0.50 per share until June 29, 2018, subject to the Company's discretion to reduce such exercise period in the event that the trading price of the common shares of the Company is at $0.80 per share for a period of ten consecutive trading days. In connection with this private placement, the Company paid a finder's fee of $1,200 and issued 4,000 finder's warrants with the same terms as the unit warrants at a fair value of $1,040.

(h) On January 9, 2017, the Company issued 9,916,590 units at $0.22 per unit for proceeds of $2,181,650, of which 270,000 units for proceeds of $59,400 were issued to the spouse of the Chief Financial Officer of the Company, 200,000 units for proceeds of $44,000 were issued to the Chief Executive Officer of the Company, and 5,000,000 units for proceeds of $1,100,000 were issued to a significant shareholder of the Company. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at $0.30 per share until July 11, 2018, subject to the Company's discretion to reduce such exercise period in the event that the trading price of the common shares of the Company is at $0.80 per share for a period of ten consecutive trading days. In lieu of cash proceeds, $258,750 consisted of the settlement of loans payable and $49,500 consisted of finder's fees incurred. In connection with this private placement, the Company paid finder's fee of $49,500 and issued 225,000 finder's warrants with the same terms as the unit warrants at a fair value of $63,044.

(Unaudited - Expressed in Canadian dollars)

8. Share Capital (continued)

Share transactions for the year ended April 30, 2017 (continued):

(i) As at April 30, 2017, the Company received $100,000 proceeds for the exercise of 200,000 stock options which is recorded as share subscriptions received.

Escrowed Shares

As at April 30, 2017, the Company had 2,452,500 (2016 - 7,357,500) common shares held in escrow, pursuant to an escrow agreement dated August 7, 2014. Pursuant to the agreement, 16,350,000 common shares were subject to escrow with 10% of those shares to be released on August 12, 2014, the listing date, and an additional 15% every six months thereafter, with the final tranche being released three years after the listing date on August 12, 2017.

9. Share Purchase Warrants

On February 7, 2017, the Company closed a private placement for 10,000,000 share purchase warrants at $0.05 for aggregate gross proceeds of $500,000. Each warrant is exercisable at $0.40 per share expiring on February 6, 2018. In connection with the private placement, the Company paid $50,000 in finder's fees.

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, April 30, 2016	1,048,125	0.75
Issued	21,495,715	0.37
Exercised	(300,000)	0.30
Balance, April 30, 2017	22,243,840	0.39
Exercised	(583,333)	0.30
Balance, July 31, 2017	21,660,507	0.39

As at July 31, 2017, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
1,048,125	0.75	October 25, 2017*
346,875	0.75	November 30, 2017*
750,000	0.75	December 16, 2018
257,250	0.50	June 29, 2018*
9,258,257	0.30	July 11, 2018*
10,000,000	0.40	February 6, 2018**
21,660,507		

* The Company has the option to reduce the exercise period in the event that the trading price of the common shares of the Company is $0.80 or more for a period of ten consecutive trading days.

** Subsequent to July 31, 2017, the Company extended the expiry date of these share purchase warrants to August 7, 2019.

(Unaudited - Expressed in Canadian dollars)

10. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. The exercise price of each option is set by the Board of Directors at the time of grant subject to a minimum price of $0.10 per share but cannot be less than the market price (less permissible discounts) on the Canadian Securities Exchange. Options can have a maximum term of five years and typically terminate ninety days following the termination of the optionee's employment or engagement (thirty days for options granted for investor relations services), except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Outstanding, April 30, 2016	1,400,000	0.25
Granted	4,150,000	0.44
Exercised	(2,023,500)	0.34
Outstanding, April 30, 2017	3,526,500	0.42
Granted	1,740,000	0.36
Exercised	(800,000)	0.37
Cancelled	(550,000)	0.46
Outstanding, July 31, 2017	3,916,500	0.40

Additional information regarding stock options outstanding as at July 31, 2017, is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.25	600,000	3.4	0.25
0.32	376,500	4.1	0.32
0.38	1,140,000	0.9	0.38
0.45	300,000	4.3	0.45
0.45	350,000	0.7	0.45
0.47	200,000	0.8	0.47
0.50	950,000	0.8	0.50
	3,916,500	1.7	0.40

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.83%	Nil
Expected life (in years)	1.0	Nil
Expected volatility	132%	Nil

(Unaudited - Expressed in Canadian dollars)

10. Stock Options (continued)

The total fair value of stock options vested during the three months ended July 31, 2017 was $337,170 (2017 - $Nil) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the three months ended July 31, 2017 was $0.17 (2016 - $Nil) per share.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital, share-based payment reserve, warrant reserve, and share subscriptions received.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2017.

12. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at July 31, 2017, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, July 31, 2017 $
Cash and cash equivalents	873,992	–	–	873,992

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. Amounts receivable consists of GST receivable due from the Government of Canada and a receivable from a public company. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. Foreign exchange risk arises from purchase transactions.

(Unaudited - Expressed in Canadian dollars)

12. Financial Instruments and Risks (continued)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

13. Supplemental Cash Flow Disclosure

	Three months ended July 31, 2017 $	Three months ended July 31, 2016 $
Non-cash investing and financing activities:		
Fair value of options transferred to share capital upon exercise	155,486	–
Shares issued for settlement of loans payable	–	57,500
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

14. Subsequent Events

(a) Subsequent to July 31, 2017, the Company issued 225,000 common shares for proceeds of $67,500 pursuant to the exercise of share purchase warrants.